

Message Text

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PAGE 01 STATE 105954
ORIGIN EB-07

INFO OCT-01 ISO-00 EUR-12 L-03 OES-07 PM-04 /034 R

DRAFTED BY EB/ITP/EWT - AJREICHENBACH:LLB
APPROVED BY EB/ITP/EWT - WAROOT
EUR/NE - RWOODS
DOD/STA - MMOUNTAIN
COM/OEA - RMEYER
ERDA - JKRATZ (SUBST.)

-----110704Z 004801 /16

R 100029Z MAY 77
FM SECSTATE WASHDC
TO AMEMBASSY STOCKHOLM
USMISSION OECD PARIS

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STADIS//////////
OECD PARIS FOR TOWNSEND/KRATZ

E.O. 11652: XGDS-1

TAGS: ESTC, COCOM

SUBJECT: SWEDISH FIVE AXES MACHINE TOOL LICENSING

REF: STOCKHOLM 1925 AND STATE 99147

1. DEPARTMENT IS PLEASED THAT WEICHBRODT HAS AGREED
TO MEET WITH U.S. DELEGATION ON MAY 13. SUBJECT TO
EMBASSY CONCURRENCE, THE U.S. POSITION FOR SUBJECT TALKS
WITH ASEA FOLLOWS. WE ASSUME EMBASSY REPRESENTATIVE
WILL ACCOMPANY MESSRS KRATZ AND MISKELL; HOWEVER WE
DEFER TO EMBASSY THE QUESTION WHETHER REPRESENTATIVE
FROM GOS SHOULD ATTEND AND, IF SO, WHETHER EMBASSY
OR ASEA SHOULD INVITE GOS REP. WE ARE NOT ASKING
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GOS EXERCISE EXPORT CONTROLS BUT ONLY THAT ASEA WITH
THE KNOWLEDGE OF THE GOS, BE APPRISED OF THE BASIS FOR
OUR CONCERN AND THE DIFFICULTY WE WOULD HAVE IN
CONTINUING UNINTERRUPTED SUPPLY OF US-ORIGIN PARTS
TO ASEA IF THE POLISH TRANSACTIONS GOES THROUGH IN
THE FORM WHICH WE NOW UNDERSTAND THE CONTRACT PROVIDES.

2. STATEMENT WHICH US DELEGATION SHOULD PRESENT ORALLY TO ASEA (SUBJECT TO PARA 1 ABOVE) FOLLOWS. IF WEICHBRODT SHOULD ASK FOR A COPY, DEPT. HAS NO OBJECTION TO FURNISHING ONE AS CONFIRMATION OF POINTS THE USG WISHES TO HAVE COVERED. WILL LEAVE DECISION TO EMBASSY.
STATEMENT ON U.S. CONCERN OVER ASEA-MERA CONTRACT ON NC UNITS

A. ON BEHALF OF THE U.S. GOVERNMENT, WE WISH TO EXPRESS OUR APPRECIATION TO ASEA FOR THE OPPORTUNITY TO MEET WITH YOU. WE ARE PARTICULARLY GRATEFUL FOR YOUR HAVING PROVIDED US WITH PRIVILEGED INFORMATION ON THE CONTRACTUAL ARRANGEMENTS THAT ASEA HAS APPARENTLY ENTERED INTO WITH MERA TO SELL TO POLAND HARDWARE AND MANUFACTURING TECHNOLOGY PERTAINING TO THE ASEA NUCON 400 COMPUTER NUMERICAL CONTROL UNIT.

B. THE PURPOSE OF OUR VISIT TO SWEDEN IS PRIMARILY TO EXPLAIN TO YOU WHY THIS TRANSACTION IS OF CONCERN TO THE UNITED STATES GOVERNMENT AND, WE BELIEVE, SHOULD ALSO BE OF CONCERN TO NEUTRAL COUNTRIES. SECONDLY, WE ARE STILL UNCLEAR OVER SOME DETAILS OF THE TRANSACTION WITH MERA, AND HOPE THAT YOU MIGHT BE ABLE TO AMPLIFY AND CLARIFY SOME OF THE TECHNICAL ASPECTS OF THE CONTRACT.

C. THIRDLY, WE WOULD LIKE TO EXPLORE WITH YOU THE POSSIBILITY OF TAILORING THE TRANSACTION TO MINIMIZE THE STRATEGIC BENEFITS TO THE COMMUNIST COUNTRIES FROM CONFIDENTIAL

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THIS AGREEMENT.

D. THIS TRANSACTION IS OF CONCERN TO THE UNITED STATES BECAUSE THE COMMUNIST COUNTRIES LAG IN THE DEVELOPMENT OF ACCURATE AND RELIABLE NC CONTROL SYSTEMS WHICH HAVE SIGNIFICANT STRATEGIC APPLICATIONS. THEY HAVE ESSENTIALLY BEEN UNABLE TO PRODUCE THREE OR FOUR AXES CONTROL SYSTEMS, EITHER HARDWIRED OR SOFTWARE. ONLY RECENTLY SOME BLOC MANUFACTURERS HAVE TRIED TO PRODUCE THREE AXES CONTOURING CONTROL SYSTEMS. PROGRAMMING OF MULTI-AXIS (THREE OR MORE) CONTROL UNITS STILL PRESENTS SERIOUS PROBLEMS TO THEM. DEFICIENCIES IN COMMUNIST CAPABILITY IN THIS AREA ARE FURTHER EVIDENCED BY THEIR INABILITY TO EQUIP THE MACHINE TOOLS THAT THEY OFFER FOR SALE IN WESTERN MARKETS WITH BLOC-BUILT CONTROL SYSTEMS. INSTEAD, THEY EQUIP THEIR MACHINES WITH NON-BLOC CONTROL SYSTEMS TO SELL THEM OUTSIDE THE BLOC. AS WE UNDERSTAND THE ASEA-MERA TRANSACTION, THE MANUFACTURING TECHNOLOGY TO BE

GIVEN TO THE POLES WOULD ENABLE THE BLOC TO PRODUCE THE EQUIPMENT INDEPENDENT OF WESTERN RELIANCE.

E. LET ME MAKE IT CLEAR THAT STRATEGIC CONCERNS DO NOT EXTEND TO THE SALE OF ALL NC CONTROL UNITS TO THE BLOC. FOR INSTANCE, POINT-TO-POINT SYSTEMS AND LESS ACCURATE TWO AXIS CONTOURING SYSTEM ARE NOT OF CONCERN. MOREOVER, SALES TO CIVIL END USERS OF THREE AXIS CONTROL SYSTEMS HAVE BEEN PERMITTED. HOWEVER, THE EXPORT TO COMMUNIST COUNTRIES OF SYSTEMS WITH MORE THAN THREE AXES AND OF PRODUCTION TECHNOLOGY FOR LOWER PERFORMANCE SYSTEMS IS DEFINITELY OF CONCERN, NOT ONLY TO THE U.S. BUT ALSO TO OTHER WESTERN NATIONS. AS A NEUTRAL COUNTRY, WE TRUST SWEDEN HAS A DIRECT INTEREST IN MINIMIZING THE PRODUCTION OF STRATEGIC GOODS ABROAD.

F. NC UNITS CAPABLE OF CONTROLLING THREE OR MORE
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CONTOURING AXES HAVE WIDESPREAD AND SIGNIFICANT USE IN THE MILITARY SECTOR. IN THE U.S., A PREPONDERANCE OF THREE-AXIS MACHINES MAKE UP THE NC INVENTORIES OF THE NATIONAL DEFENSE INDUSTRIES WHICH PRODUCE SOPHISTICATED MILITARY HARDWARE HAVING AEROSPACE, MISSILE AND NAVAL APPLICATIONS. IN ADDITION, MANY OF THE DESIGNS OF OUR HIGH PERFORMANCE JET AIRCRAFT WOULD BE EXCEEDINGLY DIFFICULT, IF NOT IMPOSSIBLE TO BUILD, WERE IT NOT FOR FOUR OR FIVE AXES NC CONTOURING CONTROL SYSTEMS, SINCE THESE SYSTEMS PERMIT THE MACHINING OF HIGHLY ACCURATE, INTRICATE AND COMPLEX PARTS ESSENTIAL IN TODAY'S STRATEGIC HARDWARE.

G. WE RECOGNIZE THE DESIRABILITY OF NORMAL COMMERCIAL RELATIONS BETWEEN ASEA AND POLAND AS WELL AS BETWEEN ASEA AND THE UNITED STATES. WE THINK THESE TWIN OBJECTIVES CAN BOTH BE FURTHERED BUT THAT SOME MODIFICATION IN THE ASEA-MERA TRANSACTION, AS WE PRESENTLY UNDERSTAND IT, MAY BE NECESSARY TO ACCOMPLISH THIS. IT IS OUR OPINION THAT NOT ONLY U.S. INTERESTS BUT ALSO SWEDISH AND POLISH INTERESTS CAN BE WELL SERVED IN THE GENERAL CONTEXT OF ADEQUATE CONTROLS. WE WOULD ALSO HOPE TO AVOID ANY COMMERCIAL DISRUPTION BETWEEN ASEA AND U.S. SUPPLIERS TO ASEA.

H. FROM THE INFORMATION SUPPLIED BY YOUR FIRM TO THE U.S. EMBASSY WE UNDERSTAND THAT ASEA HAS ENTERED INTO A CONTRACT WITH MERA OF POLAND FOR THE SALE OF THE ASEA NUCON 400 CNC SYSTEM AS WELL AS MANUFACTURING TECHNOLOGY FOR THIS SYSTEM. THE TRANSACTION WOULD BE BROKEN DOWN INTO SEVERAL PHASES. FIRST WOULD BE THE

SALE OF 150 TO 200 UNITS OF THE NUCON 400 CNC SYSTEMS
TO MERA. SUBSEQUENTLY, ASEA WOULD FURNISH KNOW-HOW AND
PARTS TO PERMIT THE POLES TO ASSEMBLE THEIR OWN
SYSTEMS. IN THE THIRD AND FINAL PHASE, ASEA WOULD TEACH
THE POLES HOW TO MANUFACTURE THE COMPLETE SYSTEM --
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THIS PHASE APPARENTLY BEING TWO YEARS OR SO IN THE
FUTURE.

I. IF THIS DESCRIPTION IS ACCURATE, THEN IT IS OUR
VIEW THAT THE TRANSACTION WOULD SERIOUSLY JEOPARDIZE
MULTILATERAL EMBARGO CONTROLS OVER THIS EQUIPMENT TO
THE COMMUNIST BLOC COUNTRIES. WE, IN THE UNITED
STATES, ARE PARTICULARLY CONCERNED ABOUT THE TRANSFER
OF TECHNOLOGY TO THE COMMUNIST BLOC. A RECENT
REPORT BY THE DEFENSE SCIENCE BOARD, AN ADVISORY BODY
TO THE DEPARTMENT OF DEFENSE, RECOMMENDS INCREASING
CONTROL ON HIGH TECHNOLOGY STRATEGIC-RELATED PRODUCTS.

J. WE WOULD WELCOME HEARING FROM YOU ANY DETAILS OF
YOUR CONTRACT WITH MERA AS IT NOW STANDS OR AS IT
MIGHT BE MODIFIED, WHICH WOULD LESSEN OUR ANXIETY
CONCERNING THE DANGER TO WESTERN SECURITY WHICH MIGHT
RESULT FROM THIS TRANSACTION. FOR INSTANCE, WHAT
PRECAUTIONS COULD BE TAKEN TO PREVENT UPGRADING FROM
THREE TO FIVE AXES SIMULTANEOUS CONTOURING AND TO LIMIT
THE PRODUCTION TECHNOLOGY TO BE TRANSFERRED?

K. (DURING THE ENSUING DISCUSSION, THE US REPRESENTATIVE
SHOULD PRESENT TO ASEA A COPY OF THE COCOM
DEFINITION OF ITEM 1091 (POUCHED TO EMBASSY) NOT
LABELING IT AS SUCH BUT EXPLAINING THAT THE DETAILS
THEREIN INDICATE IN TECHNICAL TERMS THE NATURE OF OUR
CONCERNS.) CHRISTOPHER

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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STRATEGIC TRADE CONTROLS, EXPORT LICENSES, TOOLS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 10-May-1977 12:00:00 am
Decapton Date: 22 May 2009
Decapton Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE105954
Document Source: CORE
Document Unique ID: 00
Drafter: AJREICHENBACH:LLB
Enclosure: n/a
Executive Order: X1
Errors: N/A
Expiration:
Film Number: D770165-0453
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770573/aaaacllc.tel
Line Count: 209
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b1044597-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 77 STOCKHOLM 1925, 77 STATE 99147
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2580458
Secure: OPEN
Status: NATIVE
Subject: SWEDISH FIVE AXES MACHINE TOOL LICENSING
TAGS: ESTC, SW, US, COCOM
To: STOCKHOLM OECD PARIS
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/b1044597-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009